

# *Review of* INTERNATIONAL AFFAIRS

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Jurij GUSTINČIĆ

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THE GERMAN DILEMMA

FACTS AND EVENTS

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## OUR VIEWS

UN AND UNIVERSALITY — THE PROTEST IN THE FCP

# Review of INTERNATIONAL AFFAIRS

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# NEW DEVELOPMENTS IN THE COLLECTIVE SECURITY SYSTEM

L. ERVEN

THE Near East crisis, which was suddenly and dangerously provoked by the aggression in Egypt, go down in the annals of the United Nations with double record. It will be stressed above all that this world organization succeeded in quickly checking a serious breach of peace in a sensitive and a dangerous area thus preventing the transformation of this aggression into an international conflict of much wider dimensions and even more tragic consequences. Secondly, the procedure of the settlement of the Egyptian affair has brought forward certain new forms of intervention on United Nations, which indicate new moments in the collective security system.

The aggression in Egypt, has been halted not by decision of the Security Council based on regular procedure prescribed for such cases in Chapter VII, of the United Nations Charter but by the resolutions of the General Assembly, which, according to the basic clauses of the Charter has no direct competence in the matter of the protection of peace in concrete cases of violation. Such action of the General Assembly, taken beyond the regular procedure laid down by the Charter, constitutes before a new form of intervention of the General Assembly with a view to protecting peace and international security.

Besides the resolutions on cease-fire and withdrawal of aggressors' troops from the Egyptian territory, the General Assembly, in the same capacity of the organ of collective security, also passed a decision on the formation of an international military contingent which will be about the implementation of its decisions and about

the maintenance of peace in this disturbed area, until normal conditions have been re-established. The appearance of this international force, as one of the forms of the executive apparatus of the United Nations, also marks a new moment in the system of collective security.

It is only when one bears in mind the concrete situation in which the General Assembly passed these decisions, that one can appraise the whole international significance and practical value of this affirmation of the direct competence of the General Assembly in cases of violation of peace or acts of aggression. The Israeli and Anglo-French aggressions were first brought, before the Security Council according to the procedure envisaged in Chapter VII of the Charter. However, the Security

Council could not take any measures towards stopping the aggression due to the British and French veto on the proposed resolution for ending the attack. Although nine members of the Security Council voted for the resolution, while two abstained, the resolution was considered rejected, because two permanent members voted against. This terminated the procedure before the Security Council. The aggressors could have, without any further legal obstacles, continued their undertaking and brought it to a close. Although this attack had met with general international condemnation, as it was established in the subsequent session of the General Assembly, the United Nations, in view of the clauses of Chapter VII of the Charter, could not take any other action through the Security Council with the object of stopping this breach of the peace and international order.

In such a situation, only a much worse and more dangerous course was looming ahead — a course in which the crisis of international relations, provoked by aggression, would be even more complicated with the engagement of other powers on the side of the victim and subsequently probably also on the side of the aggressors, so that the attack on Egypt might develop into the beginning of a new world war. The supposition is realistic, as we know that the two previous world wars began similarly: the First — with the attack on Serbia, the Second — with the attack on Poland. This time the danger was avoided only thanks to the fact that the General Assembly was able to take over the task for which the Security Council was incapacitated through the Anglo-French veto.

This possibility was also offered by a resolution which the General Assembly passed as early as November 3rd 1950, under the slogan "Uniting for Peace", though in different circumstances and on the ground of other suppositions. But, although the United Nations this time only used an existing resolution passed some years ago, it is a fact that this resolution was applied for the first time to a concrete situation, and was thus brought to life in this case of aggression on Egypt. Hence its implementation is a new event in the practice of United Nations and in the collective security system.

The upholder of the system of collective security is the Security Council. It has been entrusted with the responsibility of maintaining peace and protecting inter-

national security and in this capacity the Security Council acts in the name of the whole Organization and its members. Its competence is in a sense exclusive, as the General Assembly cannot take into examination disputes or situations which are being considered in the Security Council, unless the Council asks it to do so. In other cases, the General Assembly may discuss the question of peace and international security, but if it is necessary to take concrete action, it will refer the matter to the Security Council.

A system of collective security in which the Security Council is the only upholder of all actions in case of danger to peace or breach of peace proved defective in actual practice because of the general rules of its procedure according to which all its decisions, except those procedural, call for the unanimity of all permanent members of the Security Council. One of the practical consequences of this rule was that the United Nations Organization, with its system of collective security through the Security Council, was incapable of operating with a view to preventing and suspending aggression, if the aggressor is one of the permanent members of the Security Council or enjoys the support or protection of a permanent member of the Security Council.

Practice demonstrated that the functioning of the Security Council was hindered and prevented owing to a lack of unanimity among the permanent Council members. This occurred particularly during the cold war period and the cases when the veto was used by the Soviet delegate on various questions on the Security Council agenda, were turned to advantage, especially in the Western propaganda, as arguments against the institution of the veto. However, it should be emphasised for the sake of truthfulness, that most of the Soviet vetoes were used on questions which were beyond the sphere of collective security and chiefly referred to the admission of new members. But, regardless of the number and type of concrete cases in which the action of the Council was paralyzed, the provision for the unanimity of permanent members was a rule which hindered and could always prevent the normal application and efficacious functioning of the whole system of collective security. The case of aggression on Egypt, in which the action of the Security Council was suspended by the use of the veto on the part of Great Britain and France, can serve as the latest example of this negative facet of procedure in the Security Council.

In the atmosphere of acute international tension, which was particularly aggravated after the outbreak of the Korean War, the inefficaciousness of the Security Council has been felt increasingly as a factor of the heightening of international anxiety and fear of a new war. Under those conditions emerged the "Uniting for Peace" resolution according to which the General Assembly, in case of danger to peace, breach of the peace or an act of aggression, may be urgently convened for a special session within 24 hours — if the Security Council, owing to a lack of unanimity among its permanent members is not in a position to meet its primary responsibility in the maintenance of peace and security. The General Assembly in such a case may be convened on the basis of a decision of the Security Council passed by a procedural majority (without the right of veto), or on the demand of the majority of United Nations members.

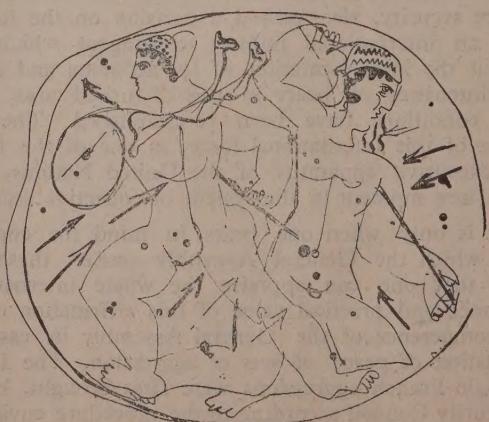
At that time the Soviet Union considered this resolution (whose legality it denied — we think without

foundation) as directed against it, the solution of the most important problems of war and peace having been transferred from the Security Council, where it could protect its interests from overvoting, to the General Assembly where such possibilities do not exist. However although this supposition may not have been unfounded in view of the time when it was passed and in view of the explanations with which it was justified, it happened nonetheless that it was not implemented in a case resulting from the veto of the Soviet Union but in a case resulting from the veto of Great Britain and France.

The transference of the case of aggression on Egypt from the Security Council to the General Assembly besides the immediate result in regard to the suspending of aggression and establishment of peace in that area, had and will have in the future wider consequences for the whole system of collective security.

First of all, the General Assembly again confirmed the legality of the "Uniting for Peace" resolution (which might have been forgotten owing to disuse), and by its concrete implementation established its competence for taking into direct procedure every case of danger to peace or breach of peace, which the Security Council, in view of procedural limitations, is not in a position to tackle. During the debate in the General Assembly none of the delegations disputed the legality of that resolution, not even those which voted against it, in 1950.

The institution of the veto in the Security Council — besides this parallel competence of the General Assembly in the matter of direct protection of peace and suppression of aggression — has lost much of its former significance, according to which it was invested with an absolute operation in the mechanism for the prevention of aggression. In point of fact, it depended on the use of the veto whether that mechanism would function or not. After the unanimous adoption of the resolution of November 3, 1950, the veto in the Security Council no longer has that significance, as any dispute in which the veto has been applied, can be transferred to the General Assembly where the veto is not operative. This change in the essential significance of the veto institution in the Security Council may influence the attitude of those quarters in the United Nations who were against the institution of the veto as well as the attitude of those who defended this institution. For none have now such strong reasons to advocate their attitudes as they had before when the action of the veto could not be circumvented by any other procedural manoeuvre. Hence it is possible to suppose today that, in case the Charter is



ised, also embracing the institution of the veto, it might be easier to find a certain compromise as regards further role of the veto in the procedure of the Security Council.

The second moment which appears as a new manifestation in the system of collective security are the resolutions of the General Assembly moved also in the case of aggression on Egypt, which refer to the formation of contingents of international armed forces for supervising the implementation of resolutions on the suspension of aggression and withdrawal of troops. These will be the first military forces of the United Nations in the history of this world organization and its efforts for the defence of peace and international security. These international forces, it is true, will not yet constitute an efficacious military force, either in number or in their actions, for enforcing the execution of United Nations

decisions — and hence they should not be confused with those international organisms of military sanctions whose creation was envisaged by the Charter in Chapter VII, but which again could not materialize for the above mentioned reasons. Nevertheless their creation is undoubtedly a precedent and a step forward in the development of the system of collective security. While these international forces may mean something less than the international corps, whose creation was envisaged by the Charter, they will certainly constitute something more than the United Nations teams of observers which so far represented the only form of direct UN control over the protection of peace and international security.

In any case, no matter how modest their scope, the United Nations is getting its first armed forces which, placed under its own command, will be directly responsible to the United Nations.

# THE LEGAL ASPECT OF THE AGGRESSION AGAINST EGYPT

Dr Milan BARTOŠ

PROFESSOR OF THE BELGRADE UNIVERSITY

AT a time when it seemed that the Suez crisis began showing signs of abatement and no longer represented so ominous and direct a threat to world peace, the great surprise came as suddenly as a bolt from the blue. Contrary to all rules of new International Law, totally disregarding the postulates of the United Nations Charter Preamble and its purposes and principles, the world was astonished by the sequence of events which took place in the Middle East. The carefully prepared mainland offensive of the Israeli Army and the "ultimatum" delivered to Egypt by the Governments of the United Kingdom and France during the night of October 29-30 demanding the recognition of the right of these two governments to land forces in the Suez Canal zone in order to protect the general interests threatened by the attack and approach of the Israeli forces to this project, may well give rise to the question whether there exists a specific international legal system, whether all international legal rules have been dispensed with and mankind reverted back to the time when the law of the jungle prevailed in International law.

Perhaps this would actually have happened if the conditions had been brought about for the enforcement of this law, by force if the authors of the "ultimatum" had really been the strongest.

The world reacted in different ways to the events set in motion by this "ultimatum" which was soon followed by actual armed operations launched against Egypt from sea and air, by the chief Allied Command in Cyprus. In London at least the Political dissension between the government and opposition cleared the British nation from the general charges and responsibility of violating International Law in view of resolute and prompt reaction of the Labour Party against the measures undertaken by the conservative Government.

On this occasion the British Parliament did not show the time honored habit of resolute unity when the Empire goes to war. The Labourite attacks on Sir Anthony Eden were principled and severe.

By contrast, the French public opinion which remained fairly calm and with the exception of the communists and one part of the poujadists supported the government and condoned the French participation in this breach of the peace.

The contempt of French public opinion for the existing international legal system is best illustrated by an article entitled "The UN has been driven to the wall" published by the most distinguished Paris centre and right wing political daily "Le Monde" in its issue of November 2, 1956 implying that with its back to the wall the world organization is facing a firing squad. Brief reference is also made in this article to the initiative of some other countries including Yugoslavia to convolve a special session of the General Assembly in order to examine the situation in the Middle East which could not be resolved in the Security Council owing to the veto. This article admonishes all who are inclined to play with the authority and prestige of the General Assembly that this neither serves the cause of peace nor the international organization, as much an Assembly will be incapable of reaching any decision which would prevent the United Kingdom and France in their undertaking as every decision adopted by such an Assembly will be devoid of authority and impact. It was considered that the General Assembly is incapable of bringing any decision whatever, particularly a decision which will carry sufficient weight and which will be obeyed.

The loyal champions of the idea of peace and defenders of the present international legal system based on the principles of the United Nations Charter became resolute and ready to struggle at all costs against such

phenomena which represented the culmination of self-confidence, or the deliberate minimizing of a spiritual force whose impact was underrated in France.

The Yugoslav initiative was accepted by many countries and immediately received a two thirds majority. The resolute attitude of the big powers not involved in the conflict, particularly the USA and the USSR, the readiness of the British Dominions to strive for peace irrespective of the participation of their metropolis in such an action, as in the case of Canada, the no less resolute attitude, although outside of the United Nations of the countries of the French Union, Tunisia and Morocco, the well nigh complete unanimity of the Afro-Asian countries in their condemnation of this aggression, the correct reaction of Latin America and its condemnation of recourse to arms in the solution of international disputes, the determination of a large number of European countries to oppose every attempt to resolve international conflicts by means of force, all this came as a surprise to Paris and London. The US insistence that the United Kingdom and France should comply with the resolution of the UN General Assembly on the cease fire in Egypt, and finally the proclamation of the two governments that they are willing to confirm to this resolution testified to the rashness and audacity of the allegations that International Law can be violated at will, regardless of the legal norms which prohibit the solution of international disputes by means of force and which lay down certain legal principles which are obligatory for all nations, particularly those which are parties to a conflict. The United Nations has proclaimed that law should be restored. They condemned the use of force and invited all states which overstepped their rights to cease violence. There were also complications concerning the state of Israel, but these have also been overcome, the Israeli government having consented to carry out the United Nations resolution. Thus a new problem arose for those who recognized no law, although they were aware that such rules existed; how to carry out the cease fire while achieving international control at the same time, in view of the fact that the resolution is allegedly platonic being devoid of any provisions on positive action; now to resolve the prevention of conflict and establish international control over the region of conflict? The Governments which are at present obliged to comply with the resolution of the United Nations General Assembly and which had to cease fire, believed that they would be able to delay and postpone the results of the action initiated, there being no provisions governing the implementation of the measures stipulated by the Resolution. They even went further. The principal problem which preoccupied the French press and public opinion was how Great Britain and France were to be integrated in the decreed international police measures. Articles appeared in the Parisian press at that time which strove to represent the original UN Resolution as an instrument which did not condemn but only regulated their undertakings implying that these two countries being allegedly the best qualified to enforce the police of the United Nations as they already maintain the necessary forces this action. They could not understand the attitude of President Nasser who considered that the United Nations police measures would be ineffective in Egypt as long as the troops which committed aggression were present on Egyptian territory. The prompt enactment of a new Resolution and the election of a Committee to supervise the security measures showed that the international community



has its own view on the matter analogous to the preservation of peace and that it is not inclined to p with reality, not even with the orders on the enforcement of safety measures in the form of an international police force, but that it is laying new foundations reality based on the principles of the United Nation Neither the reply of Sir Anthony Eden to the Oppo leader in parliament that the British forces will j the International Security forces, nor the French ho that its intervention will become the pivot of the fut forces were fulfilled.

By its goodwill towards the United Natic decisions, abstention from all insistence on its right exercise exclusively police control in the Suez, and rediness to receive international forces on its territo Egypt showed an admirable breadth of outlook in respect of international law which will enable the rap restoration of peace. However while Egypt acted in t manner it cannot be said that the other actors in t drama showed a similar degree of readiness to liquid all belligerent measures. Egypt gave a lesson to authors of modern International Law how the classic a modern rules of this Law should be respected.

It would be premature to give a final apprai on the outcome of the Suez affair. The issue is still the agenda of both of the Security Council and t General Assembly. However, it is an obvious and in futable fact that there exist certain rules of Interna onal Law and that at present the latter are not dev of influence and represent a force which mankind p ces above individual interests. This means that at t present juncture we have a formula for the juridi settlement of this dispute. It is not the solution o expected in such a matter, namely that before tensi reaches a certain point, or even at that point, the sit ation would be resolved in a peaceful manner. In t concrete case aggression occurred. One side resorted force, and the other side replied by force. No forc solution was imposed, however, the United Natio having been strong enough to stop this conflict a direct the conflicting parties towards a reasonable a equitable settlement of the issue.

The recourse to force inevitably led to aggression and the latter, however short lived, violated the pe and every breach of the peace is an international crim

The fundamental problem today is to prevent further resort to force, but this does not mean that the former use of force has been liquidated. The International community will doubtless strive to eliminate all future difficulties in a peaceful manner, and these difficulties in our opinion include both the lasting solution of the Suez problem for the future and the problem of sanctions as for a breach of the peace in the past. We are glad that the Suez problem has been channelled towards a legal and peaceful terrain. We are convinced that international control will prevent the recurrence of such incidents which would represent resort to force. We do not make any provisions as to the duration of the United Nations' measures for the lasting security and correct functioning of the Canal. Nonetheless, the Suez

case was one of those serious events in which the dissatisfied powers attempted to resort to arms. The fact that these countries failed in their action proves that such attempts are thwarted by reality. The new rules of international law and mechanism of the UN Charter represent the force which predominated. The problems involved by the Suez Canal have been reverted to the only correct road, that of peaceful negotiation in the solution of an international conflict. For the time being this is a positive result which should be emphasized in opposing the advocates of force. The solution sought by arms was repudiated. The solution has been found on the juridical road, and I think it is most important to continue along this road.

## Our views.

# ABOUT THE ADMISSION OF NEW MEMBERS TO UNO

P. BIZJAK

THIS year's meeting of the United Nations General Assembly, at the very beginning, made an important step towards the organization's complete universalization, greater influence and role. Three young, independent countries, which still bear the scars of their colonial past, were admitted to its membership. Thus, the international community recognized Morocco, Tunisia and the Sudan as sovereign national units, with all national characteristics, with all rights and duties which belong to the members of the United Nations. Their admission to the United Nations was taken by the world as a full affirmation of their independence and equality with all the big and small member-countries. With their admission, the number of the United Nations' members was increased from 76 to 79, and now another necessary measure to implement the principle of its universality to recognize the natural and legal rights of the People's Republic of China and allow it to take its place in the building on the East River. It is to be hoped that, during this meeting already, the General Assembly will exert efforts to end the unnatural situation created by the presence of the representatives of the repudiated Chiang Kai-shek regime.

The Yugoslavs, who follow the struggle of the oppressed peoples for freedom and independence with great interest and sympathy, acclaimed the admission of the three youngest African states. They consider it to be the proof that, in their efforts to become independent and equal members of the community of peoples, the backward countries can rely on the support of broad sections of the world public, on the United Nations, on the countries which are for peace, and on general developments in the

world which strengthen the positions of the independent and peaceloving states and expand the possibilities for their positive actions.

The international affirmation of Morocco, Tunisia and the Sudan was a contribution to the strengthening of the forces of independence throughout Africa, where people strive and fight for self determination, for their independent life and development. The peoples of Morocco, Tunisia and the Sudan are directly linked with the wider community of the Arab nations. Considered from this point of view, their admission to the United Nations widened the front of the Arab peoples and increased their strength in the United Nations and outside it. There is no need to emphasize here that this is of great importance today when, due to the internal logic of their fundamental aspirations, the Arab nations exert efforts to maintain and strengthen world peace and develop their international relations on democratic principles. However, we may recall here that many long years had to pass and sacrifices made before these three countries won the right to send their representatives to the United Nations. They had paid dearly for this right, because their road from colonial oppression to the new building in New York had led through all the difficulties, tribulations and sacrifices which accompany the liberation and anticolonial struggle of the oppressed peoples. We may also recall the fact that similar struggles are still going on in some areas of the Afro-Asian continent, and that there are people who are still shedding blood in fighting their way towards independence and emancipation. Now the world hopes the United Nations, which has broadened its rank, will use all its influence and

authority to help the countries still fighting against the colonial powers and speed up their development towards self-government and international equality. Just as it opposed so energetically the new brutal thrust of the colonial policy in the Middle East, the United Nations will, we hope, work, just as energetically, not only for the economic, technical and social development of the new members, but also for the sobering of all the supporters of classical colonialism. The appearance of new, independent countries on the world stage was, in this respect, a considerable contribution to the world organization and to the efforts to enable it to act in the spirit of the Charter for greater security and unobstructed development of every nation.

The fact is that colonialism, as a dominating system, has been undermined and that a new spirit of emancipation and progress has spread to wide areas of Asia and Africa. The decisive battles between the colonial and anti-colonial forces produced new sovereign states which, by the nature of their aspirations and essential needs, are doing all they can for the consolidation of peace in the world and for their own transformation. The anti-colonial revolution has changed the face and the spirit of Asia, and in Africa, particularly in the Near and Middle East, it is now in its final phase. A great part of North Africa has won its sovereignty back, and the Arab world as a whole is pursuing a policy of independence, peace and security. Thanks to this historical process, the United Nations is now in a position to discharge its obligation and responsibilities more effectively than ever before. The problem of peace and development in those areas of the world are no longer the concern of this

or that great power, but of the United Nations and the wider world community. That this is true was best shown by the United Nations intervention in the aggression against Egypt, a country which, as it is generally believed, is the protagonist of independent development in the Arab world.

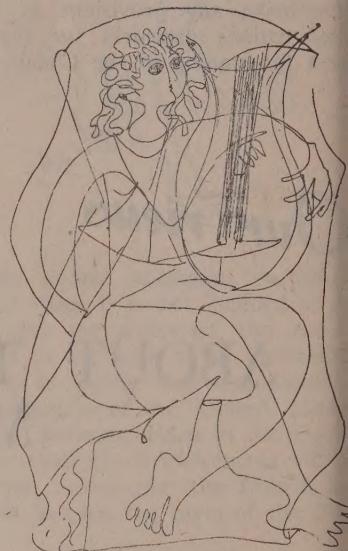
The term "Afro-Asian policy" is now generally accepted in the political vocabulary. This policy introduces a new quality in the complexity of world policy, new methods in judging international developments, in establishing relations between nations, and in solving conflicts and disputes. At present, it offers the only logical alternative to the policy of blocs, the policy which relies on force and which, therefore, may lead the world into new wars and catastrophes. The bloc and ideological division of the world, the race in the production of armaments and the hatred and mistrust between peoples impair and endanger peace and the existence of nations. Under such circumstances, the policy of the independent countries of Asia and Africa, as formulated in Bandung, becomes the inevitable and the only realistic way to be taken in solving the present day problems which may profoundly affect the future of the world. The truth is that the interest of the Afro-Asian peoples, as well as the correctly understood interests of the rest of the world, make such a policy necessary, not only because the young, independent countries of Asia and Africa must have peace, but also because such a policy can bridge the gap and differences which now divide the world and lead to reconciliation among states, to the uprooting of all contradictions between

peoples, . e. to the prerequisites for a better international situation for peaceful coexistence, for a lasting peace and general prosperity.

In view of this, the efforts of some great powers to settle their problems with the Afro-Asian world in a way which cannot be realized today, and their persistence in the attitudes which cannot be justified in any way, seem absurd and irrational. The attempt to occupy Egypt forcibly confronted the world with the revival of the old conception that brutal force and punitive expeditions increase the prestige and might of the imperialist powers. The failure of the aggression and the isolation of its initiators best shows how unpopular such methods are, how greatly they differ from the ways that must be taken today in solving disputes in international relations.

French policy is particularly incapable of grasping the essence and the nature of the colonial problems which it will have to face also in other possessions in Africa. Judging by everything, the Mollet Government is not ready to revise the French policy and recognize the right of the oppressed peoples to self-determination and self-government. No objective observer doubts that by doing so France could ensure the cooperation of those peoples and preserve her interests in their countries. The policy the French Government now pursues, strengthening its control in the overseas possessions by force, may exhaust the country and lead to wars and inevitable defeats, such as that in Indo China, and so weaken France's influence in Europe and in the world generally.

blocs. Owing to bloc conceptions and the interests of the great powers, the problem was then used by the two opposites to export concessions from one another. After many years of unpleasant scenes of propaganda battles, a new international climate was established in which the principles of active coexistence were being affirmed and the problem of admitting members approached with more realism. Now, the international community is entitled to see that more countries have entered



## THE UN AND UNIVERSALITY

THE problem of the United Nations universality has two aspects which are closely related. Coming into being during the struggle of the anti-Hitlerite coalition against the fascist aggression, the United Nations has, from the very beginning, had a wide democratic character, and it was originally conceived as a true world organization. The fundamental purposes of the document, which is both its statute and its programme, the Charter, could not even be imagined if they had not a universal character. Based on the belief that the world peace is indivisible, that the interests of humanity are the concern of all nations, and that international cooperation must not be obstructed by any artificial barriers or restrictions, the Charter determined the Organization's tasks which cannot be carried out without joint action of all the world countries. A number of Charter provisions — legal, political and moral — show that the United Nations must be universal in character.

Post-war experience, however, has shown that a long and difficult road has to be traversed before fixed principles are realized. It is up to political realism to establish what the United Nations could but did not achieve, in its first decade of existence, but, when the implementation of the principle of universality is discussed, we cannot but say that there is still a considerable political vacuum. Although the number of its members has been growing constantly

the United Nations has not yet succeeded in becoming a true world organization. Apart from many other factors which have been affecting its work, the incompletely implemented principle of universality has been, and remains to be, the chief factor which directly influences its efficacy. This is quite understandable. The strength of a world organization really lies in its universal character. Its significance and reputation grow with the growth of its membership, the correctness of its decisions and the authority of its actions in solving international problems greatly depend on the number of countries represented in it, and the implementation of its resolutions and recommendations must be incomplete if that is not both the right and the duty of all the members of the international community. Consequently, the principle of universality must be fully implemented, not only to satisfy the provisions of the Charter, but also to increase the United Nations role and effectiveness in the contemporary world.

From the viewpoint of the countries which fulfil all the requirements under the Charter, the rejection of their application for membership cannot be characterized otherwise than as discrimination. The United Nations is bound to act in the spirit of the Charter whenever the admission of new members is considered. However, in the period of the cold war, the problem of admitting new members provided a good pretext for propaganda duels between the

the United Nations, and that the number of its members has increased to 79.

In this complex issue, the most controversial case was the question of admitting the People's Republic of China. It has yet been admitted to the United Nations not because it does not fulfil the necessary requirements, but because it is opposed by individual countries, whose attitude on the matter cannot be harmonized with the principles of the Charter or with the interests of the United Nations. Thus, a paradox has been created: the largest country in the world is not represented in the world organization. Representatives of Kuomintang China (China which does not exist) have been rejected and condemned by Chinese people and who do not main themselves on Formosa by their own strength still enjoy the privilege of being members of the United Nations, while the true representatives of China, who have been elected by six hundred million people, not have a seat in it.

This situation, which is contrary to the letter and spirit of the Charter, was created only because support had been given to an unrealistic policy, a policy based on wrong understood interests and on ideological calculations which ignore the inevitable process of contemporary developments. Treaties with the People's Republic of China, not as an independent country, but as a component part of a definite political sphere, and supporting, to a greater or lesser extent, the government on Formosa, certain American circles were successful in getting support for their negation of the Chinese reality in the United Nations too. But, even in America certain trends towards a revision of this attitude began to be noticed as

the world tension had begun to relax. Through the protracted talks of the American and Chinese ambassadors in Geneva, which had not yet produced any outstanding results, their initiation, nonetheless, marked an improvement for the better. The unfulfilled expectation that a change would take place in America, on the one hand, and certain new developments in Chinese policy, on the other, were the fundamental factors of this evolution. In American views, evolution which had not, however, progressed far enough to warrant any hope for changes in America's attitude towards China. In this matter, the interests of the American business circles, which could develop extensive trade with China, play an important role.

Great Britain and France began, even earlier, to display more flexible views on relations with the People's Republic of China, and their policy may now have some influence on the problem of admitting

China to the United Nations (if their preoccupation with the aggression against Egypt and the reaction of the Asian countries, particularly China, do not produce any unpredictable difficulties, which is quite possible). A number of other western countries, too, have begun to view the problem of Chinese representation in the United Nations more realistically. A study of the United Nations statistics concerning the attitude of the member states on the matter would certainly show that the situation is turning in favour of the People's Republic of China, and that time has, slowly but surely, brought about more realistic views on matters concerning that country.

Although no one can predict at present how the debate will develop on the Indian resolution which proposes the admission of the People's Republic of China, it is of great interest that India, a country with

so great a moral reputation, has engaged itself so energetically for the recognition of the sovereign rights of the Chinese people and for the implementation of the principle of universality without any discrimination. This, there is no doubt, is a recognition of the positive Asian policy of China, which is based on the principles of active coexistence and which was clearly manifested at the Bandung Conference and in numerous international acts of that country.

In any case, this year's debate on Chinese representation will show how realistic are the policies of individual countries, how they view the efforts to implement fully the principle of the United Nations universality so as to recognize China's justified rights and to increase the effectiveness of the world organization which is more essential today than ever before.

# ABOUT A PROTEST IN THE FRENCH COMMUNIST PARTY

Z. PRIKLMAJER

THE case of Aimé Césaire the communist deputy from Martinique and one of most distinguished Negro poets is symptomatic of the present state of affairs in the French Communist Party, in the place because Césaire's attitude reflects first tendencies in the party, and secondly the reaction of the Party leadership. His statement provides yet another example of the opposition proffered by the official party circles to the new trends in the contemporary progressive movement.

In his letter to the Secretary General Maurice Thorez Aimé Césaire explains the reasons for his withdrawal from the Party, being primarily the attitude of the CP leadership towards the de-Stalinization and democratization of the Party, and the Party line pursued for years already with regard to the colonial problem.

Stalin's report at the closed session of the Soviet Communist party was both a painful shock for Aimé Césaire and an event which made him "tremble with rage". If the disclosure and denunciation of Stalin's crimes, according to Césaire, on the one hand implied "our defeat and humiliation" penetrating to the very core of a system in which millions of communists lived for decades, then the revelation of truth and its overt recognition opened prospects for an about turn and renaissance. The disclosures made at the Twentieth Congress of the Soviet CP cast a new light on many problems, such as the essence of relations between the Soviet Union and the socialist states, the nature of the links between the Soviet CP and other Communist parties, and the fact that in most European countries, with the exception of Yugoslavia, "a bureaucracy remote from the people succeeded in converting socialism, the age old dream of mankind, into a nightmare".

In such a situation, says Césaire, when realizations shook the entire communist

movement, the leadership of the French Communist did everything to retain the party on its old positions. Its official attitude testified that "French Stalinism is more tenacious than Stalin himself... and would have caused the same fatal effects in France as in Russia, had it assumed power by any chance". The Fourteenth Congress of the French CP held this summer was for Césaire a drastic manifestation of this course and betrayed all hopes cherished in this respect. Instead of an honest self-criticism and condemnation of Stalin's crimes, instead of a "re-creation of the Communist Party", the Congress in Le Lavre revealed only a stubborn insistence on past errors, and more than ever "the senile ineptitude of the pontiffs to overcome their limitations and rise to the level of events".

The other reason, perhaps still stronger from the first which prompted Césaire to leave the Party is his disagreement with the Party concepts of colonial policy. Césaire bases his attitude in this matter on the fact that the "coloured world" has reached that stage in its historical development when it is fully conscious of its strength and mature

enough to bear the responsibility for all that may ensue therefrom. Precisely for this reason, declared Césaire, the colonial problem cannot be treated only as part of a general policy and be subjected primarily to the interests of this global policy. In other words the fight of the coloured people against colonialism is of a far more complex and different nature than the struggle of the French workers against capitalism: therefore the former cannot be considered under any pretext as a mere component of the latter.

Césaire accuses the CP leaders of something which he calls "unconscious chauvinism" manifested in the conviction, which does not differ much from the bourgeois ideas on the subject, — of the general superiority of the West. As Stalin's disciples they were also reared in the doctrine of backward and progressive peoples, which gave birth to the "big brother" myth who should take the little one by the hand and show him the way. The leaders of the CP do not understand that the overseas peoples do not need anyone who would think and act on their behalf and that the "coloured



world" is sufficiently grown up to assume the initiative. As for his native land, the Island of Martinique, Césaire reached the conclusion that the CPF has proved wholly incapable of offering it any prospects short of an utopia.

The reaction of the French Communist leaders to the "Césaire case" is characteristic of the present party policy on some fundamental issues. After a brief and rapid reply by Maurice Thorez, "Humanité", published a fairly cautious letter by Central Committee member Garod by Aime Césaire on November 2. Apart from a series of explanations which strive to justify the colonial policy of the Party and which pro-

vide nothing new, Garod's letter nonetheless contains a few statements which deserve attention. This is primarily the manner in which he seeks to explain the Stalinist errors, or in Garod's own words "the errors committed in socialist development". According to Garod the roots of these errors lie in the past. The cult of the individual and bureaucracy are "poisonous plants sown by the former régimes which continue to grow in the midst of the new harvest".

In a cursory appraisal of the events in Hungary, Garod asserts that the reactionary forces within and outside of the country were the chief exponents of the movement.

The letter severely berates the intellect both the Hungarian who rallied round "Petefi Club" and the Polish, while noting those French "who applauded and welcomed their activities".

The case of Aime Césaire is significant as a symptom of certain trends within French Communist Party aiming at de-linization primarily among the intellectuals. Although these cases (Tristan Tzara, Pie Hervé, Aimé Césaire) are sporadic and not imply the existence of any stronger tendency within the CPF, they nonetheless deserve attention, as a symptom which should neither be minimized nor overestimated.

## FACTS AND EVENTS

Stojan PETROVIĆ

### RUMANIA

WITH a view to ensuring the further promotion of mutual relations several economic instruments primarily a trade agreement which will provide a solid basis for commodity exchange between Yugoslavia and Rumania, were concluded during the recent visit of the Rumanian delegations. Under the terms of this agreement, trade will evolve within annual quota lists. Both governments have stated their willingness to conclude a trade protocol for a longer period of time if necessary. The other provisions of this Agreement refer to routine matters such as the issuing of import and export licences for the quantities stipulated by the annual quota lists. The competent authorities of both countries will assist the conclusion of sales purchase deals within the framework of their import regulations. The trade agreement provides for the possibility of concluding complete deals, in so far as necessitated by the interests of the two countries.

In a similar manner as the trade agreements concluded with other countries, this agreement also calls for the establishment of a mixed commission with the task of eliminating the difficulties which might appear in the development of trade between the two countries and also propose the necessary measures with a view to developing economic cooperation.

Irrespective of the date of exchange of ratification instruments, both parties have agreed that the agreement concluded be put into effect on January 1, 1957.

A Payments Agreement regulating payments between the two countries was also worked out on this occasion. Mutual payments will be effected through the clearing accounts opened with the Central Banks of both countries for goods delivered, as well as all expenses involved by the delivery processing, finishing, installation, servicing, forwarding, loading, and unloading of goods, the maintenance of diplomatic and trade missions, fees and royalties, patents and licences, balances arising in railway, postal and telegraph traffic. The payments agree-

ment will become effective simultaneously with the Trade Agreement.

The Trade Protocol for the 1957—1960 period which was also concluded on this occasion with the aim of ensuring the maximum stability and long term prospects in mutual economic relations, in several respects represents an innovation in Yugoslav foreign trade relations. The protocol is based on the above mentioned trade agreement. However, special lists have been attached to the protocol fixing the quantitative ratios of value both in Yugoslav and Rumanian exports for products of particular interest for the two countries. The Yugoslav exports schedules include such items as rolled metal products, wires and cables, refractory bricks, various machinery, while the Rumanian export lists cover petroleum derivatives, chemicals and pharmaceuticals, various machines and spare parts, lard and meat, etc.

The regular annual commodity lists for 1957 were not drawn up on this occasion. The volume of trade accomplished so far cannot be considered satisfactory. Such a situation is primarily attributable to the insufficient knowledge of mutual economic possibilities. Therefore a special delegation consisting of Yugoslav economic experts visited Rumania for the purpose of gaining first hand acquaintance of market and business conditions while a Rumanian trade delegation arrived in Yugoslavia. The delegations have already finished work. Their proposals will provide the necessary basis for the drawing up of commodity lists covering aggregate commodity exchange in 1957 including also the quotas foreseen by the protocols on long term cooperation.

The question of mutual claims was settled by the Protocol signed last December, according to which Rumania is due to pay 1.5 million dollars to Yugoslavia for losses incurred during the 1945—1955 period. Some other financial claims from the wartime and pre-war period are still outstanding.

The talks held between the representatives of the two countries on the construction of

a hydro-electric system in the Djerdap (Isonzo) Gates Canyon on the Danube are of particular interest.

### YUGELEXPORT STUDIES CORPORATION

THE Electric Power Committee of the Economic Commission for Europe discussed the proposal submitted by the Coordination Committee last month with the consent of Yugoslavia, West Germany, Italy, and Austria to set up a special studies Corporation with a view to implementing the project covered by the Yugelexport report. The Electric Power Committee approved this suggestion. The new established corporation would mainly due to work out the detailed plans, mainly in the domain of financing and the construction of the projects proposed in Yugoslavia. According to this scheme it would be possible to export 4,000kWh annually from Yugoslavia, largely during winter season when power shortages most acute.

The Electric Power Committee also discussed the problem of raising labour productivity during the construction of hydro-electric plants this being of particular interest for our country in view of erection of a whole series of hydro-electric projects planned. The exchange of experiences with other countries under the auspices of this Committee could speed up the construction and reduce the building expenses to a sizable extent. It is believed that the special work group of the Committee will soon finish work on the preparation of a map of Europe depicting the available sources of water power from which it ensues that Yugoslavia is second in Europe as regards the resources of unexploited power and the cheapness of their exploitation.

Rural electrification and its direct influence on the increase of farm production poses interesting problems. The initial discussion was given by the Yugoslav delegation. Although the proposal with a certain amount of opposition at that time, all countries show a keen interest

is problem at present some having  
the Committee exclusively because  
the importance of this problem. Rising  
activity in agriculture and the living  
standards of the rural population, rural  
colonization is of particular significance  
in countries which are still considered  
economically undeveloped.

In setting up of the studies corporation  
perhaps a modest but nonetheless im-  
portant step towards the practical imple-  
mentation of the Yugelexport scheme.

#### ELEMENT ON DELIVERY OF US FARM SURPLUSES

THE agreement on the delivery of  
US farm surpluses for the 1956/57  
fiscal year is doubtless a significant  
event in Yugoslav-American relations. The  
agreement represents a major contribution  
to further improvement of the general  
relations between the two countries while  
strengthening the existing friendly relations  
at the same time. Besides, this instrument  
vested with a special economic significance  
as it facilitates the satisfactory solution  
of a vital problem of Yugoslav economy,  
that of substantial imports, hence  
contributing to the reduction of the Yugoslav  
balance of payments deficit.  
The scope and volume of this agreement  
provides for a total of 98.3 million  
US dollars worth of deliveries is no less im-

portant. Under the terms of this agreement,  
the US will deliver 225,000 tons of wheat,  
18,500 tons of cotton, 32,000 tons of lard,  
7,000 tons of edible oils, and 9,000 tons of  
tallow for industrial purposes to Yugoslavia.  
The deliveries are to begin as soon as possible  
and will be terminated until June 1957  
at the very latest.

The fact that these surpluses will not be  
delivered in the form of economic aid as  
in the previous years, but on a special long  
term credit basis is an important innovation  
in this agreement. Thus 75% of the  
above mentioned amount will be repaid as  
a 40 year credit at 4% interest. Objections  
could be voiced with regard to the consider-  
ably high interest rate, but this is offset by the long term of repayment. The  
remaining 25% will constitute a dinar fund  
at the disposal of the US Government. The  
terms of repayment for this sum will be  
determined subsequently by special agree-  
ments between the two Governments.

Let it be recalled in this context that  
only 24% of last year's deliveries were  
extended on a credit basis, while the re-  
mainder was allotted to Yugoslavia as free aid.

An agreement on Economic Aid between  
the US and Yugoslav Governments which  
will provide for economic aid deliveries to  
Yugoslavia to the value of 15 million dol-  
lars and consisting of about 140,000 tons  
of wheat, cotton, etc. is scheduled in a  
few days time.

While stressing the exceptional impor-  
tance of the Agreement on the delivery of  
US farm surpluses, attention should also  
be drawn to certain shortcomings as this  
instrument only regulates deliveries for the  
coming one year period. However Yugoslavia  
has persistently stressed the need to  
regulate this problem for several years in  
advance. The fact that the US dispose with  
vast farm surpluses and that Yugoslavia will  
be obliged to continue importing these  
products for some time to come, opens  
broad prospects for the conclusion of an  
arrangement between the two countries on  
the delivery of these articles for several  
years in advance. This is not only impor-  
tant from the standpoint of ensuring a  
certain degree of stability in mutual eco-  
nomic relations this being of particular  
interest for Yugoslav economic development,  
as the regulation of these deliveries over a  
longer period of time would enable the  
utilization of the construction of the Yugo-  
slav industrial key projects, such as the  
aluminum combine, Majdanpek, etc. for  
which favourable conditions have been  
created in the country. The construction  
of these projects would require several years.  
It would be impossible to embark on the  
implementation of these schemes on the  
basis of a one year agreement. The con-  
struction of these projects would contribute  
to no small extent to the promotion of the  
economic links of Yugoslavia with the other  
European countries.

## *Opinions on the current problems*

### IN FACE OF NEW DANGERS

J. GUSTINČIĆ

TODAY it would be incorrect to say that in face of  
the latest development of the world situation there  
are two sharply divided sections of the world public —  
those which believed that the cold war was over, and those  
which was against any premature conclusions.  
But from a few extreme views — which were shown  
to be incorrect by the reality in all countries and in all  
parts — the generally accepted opinion was that the  
work of the United Nations, the changes in the con-  
ditions of certain great powers, the work of the new  
powers outside the blocs and all those numerous "high  
level" conferences had produced beneficial results. Shortly  
after, it was justly believed that the sharpness of the  
East-West contradictions had been blunted, that ways  
had been found to reconcile the opposing views gradually,  
and that it was really possible to settle all world pro-  
blems and disputes peacefully. The views that the world  
was divided just as in the first post-war years did not  
have many supporters.

It is true, however, that after the first Four Power  
neva Conference there came another which was dis-

couraging, i.e. that the Foreign Ministers of the Four  
Powers did not display as much sagacity and flexibility  
as their Chiefs before them. Likewise, the disarmament  
debate, during which delegates accepted certain general  
principles, later got entangled in a maze of details. But,  
in spite of that, a new atmosphere was then established  
in the world. Relations were improved practically between  
all states. If we now remember how bad international  
relations had been before that time, these improvements  
cannot be said to be of no importance. Furthermore,  
there were problems whose solutions required more than  
good will, and yet, they were settled. The signing of the  
Austrian Peace Treaty was one of many acts which  
helped to consolidate world peace and set up a sound  
balance between the world powers. This was followed  
by important declarations in favour of coexistence, together  
with direct contacts between leading world statesmen.  
And finally, a few weeks ago, it seemed that the very  
foundations of the blocs were insecure. In the West,  
Cyprus and then the Suez crisis greatly affected the  
Atlantic solidarity. Some NATO members expressed



their doubt in the usefulness of foreign military bases on their territories (after Norway and Iceland, Greece declared herself in favour of national defence), stating that the partial restriction of their sovereignty should not be tolerated any longer. In the East, the declaration of the Soviet Government on relations between socialist countries created a possibility for new relations among the nations which, together, used to be called the Soviet bloc. Consequently, people were almost sure that the blocs — which could not be expected to disappear altogether — would be adapted to the needs of all states for direct and normal international relations based on sovereignty and independence.

Have the latest events in the world, which caused new mistrust between the East and the West, as well as new political trends in Asia, proved that the sceptical minority had been right? Are new frontal contradictions inevitable? Is the cold war starting again?

The reply to these questions will depend on whether we think of the whole process which is enfolding in the world or only of the temporary situation, on whether we bear in mind the basis of international developments or the means the great powers use at different times in order to achieve their special foreign political aims.

The very process of eliminating gradually the obstructions to international cooperation has not been, and cannot be, stopped. The recent events, which were a great worry to the world, have, it seems, caused certain powers to endeavour to strengthening the earlier division of the world and go on improving their systems of political and military organizations in order not to allow any "centrifugal tendencies" to impair their strength. At the same time, however, these events have shown that the new independent countries are exerting fresh efforts to remain outside the blocs. Furthermore, some of the countries which, owing to real or imaginary dangers, joined individual organizations political or military organizations of the great powers, now raise their voice against the selfish policies of the leaders in such organizations. Is not the Baghdad Pact, i. e. the opinions

voiced by its Asian members at their last meeting in Teheran, when they rose against the Anglo-French aggression, an instructive example of the diminishing interest in bloc cohesion.

The aggression in the Near East and the events in Hungary have made certain great powers think of resorting to the earlier frontal methods in solving international disputes, methods which had proved ineffective. These frontal methods consist of forwarding the greatest possible demands. To make such demands carry weight, material, i. e. military or bloc strength must be increased. It is being said, and often believed too, that such strength is to be used only for defensive purposes. True, none of the post war military conflicts were caused or conducted by the blocs as such, but by their individual members. However, the very existence of the blocs leads to military competition, war psychosis and excessive international mistrust. The blocs create an atmosphere in which aggression can easily take place.

As we have just said, the latest developments made the great powers think of going back to the positions which they held a few years ago. But in fact, these developments took place only because the sins of the past had not been atoned. There are, however, just as strong factors in the world which are resolved to work for the solution of international problems in a peaceful way. Accordingly, the current events animate just as many positive as negative forces.

The military conflict in the Near East, which was started by Israel, Great Britain, and France and which may have far reaching consequences if it is not stopped by peaceful means soon, not only caused widespread disappointment with the policy of some great powers, but also made some countries contemplate a revision of their political ties with those powers. The conflict also increased the general conviction that the United Nations should be the chief arbiter in all world disputes.

It is being said that this is the second time that its machinery is being used. It was allegedly first used in Korea. But this is not true. In Korea the "United Nations Force" was only a symbolic name for American troops. A large section of the world public did not then believe that the United Nations machinery was fully applied in that Far Eastern country. In Egypt now, the situation is quite different. With a true world majority a majority which was not formed under the influence of the great powers, the United Nations condemned the aggression and decided immediately to take steps to prevent a new war. President Eisenhower himself has said that by sending a force to the Suez Canal zone the United Nations has been put to an exceptionally difficult and historical test. It should now be said that the very support given to the United Nations at this moment is the proof that now, although international relations are being sharpened, and although military conflicts are taking place, there is a growing tendency in the world to bring the United Nations into full play. And this is what increases our hope that history will not repeat itself at least — not the history of the last ten years.

# AFTER THE US ELECTIONS

Stojan KOVACHEVIĆ

THE election campaign in America reached its climax and conclusion on November 6, 1956 when the great majority of voters reaffirmed their confidence in Dwight Eisenhower installing him in the White House for another four year term. At the same time however, the US electorate confirmed the fact that the Presidents Republican Party is the minority party, which was still more enhanced by the circumstance that the presidential and congressional elections were held simultaneously. For more than a century the victorious President had a traditional Party majority in Congress. The indisputable and immense personal popularity of President Eisenhower undeniably influenced the elections for individual senatorial and congressional seats or governorships. There were even cases when he personally backed the election of certain candidates (for instance the election to the Senate of the former Secretary of the interior Mc Kay who resigned from the Government at Eisenhower's wish to run for Senatorship, or the case of Senator Duff of Pennsylvania one of the first and most loyal Eisenhower's supporters who was defeated by a comparative newcomer, the former Democrat major of Philadelphia Clarke etc.). It should also be recalled in this connection that most Republican candidates, as the popular saying goes "held onto Ike's coattails", and pledged their loyalty to his programme and the President personally. There can be no doubt that these circumstances influenced the voters choice. Therefore, however satisfied they may be by the election of their candidate to the White House and the fact that he will hold executive power for another four year period, the Republicans have every reason to worry, as this years elections showed clearly that without a candidate of such tremendous personal popularity as Eisenhower they would hardly have a chance against the Democrats.

Whether this will be a warning and lead to the abandonment of unpopular and obsolete concepts and the beginning of the struggle to become the majority Party again remains to be seen. This is likely to be one of the most interesting problems of US policy in the forthcoming period. The events which took place at the GOP Convention in San Francisco where the candidates for the Presidency and Vice Presidency were nominated, seems to indicate that a different course has been adopted by the leadership of the Republican Party. Namely the Convention confirmed the dominant position of the Republican right which was inter-alia manifested by the insistence on Nixon's nomination to the Vice Presidency. The fact that the electorate replied by sending a Democratic majority to the Congress should induce the competent factors in the Republican Party to think carefully, all the more so as their victorious candidate President Eisenhower is not a Republican of the traditional cast. By his personal ideas, the conceptions of his closest associates and the policy pursued during his past term of office, he is closer to the opposing party than the standard attitudes and concepts of his own Party. Therefore the election results of November 6, are aptly summarised by the witty remark of a news commentator: „Eisenhower Heads the Democrats“,

If we were to analyze the factors underlying Eisenhowers second landslide victory, one should primarily mention the Presidents immense personal popularity. The more or less generally concensus prevailed on the eve of the elections, that the actual contest would be waged between popularity of the Republican candidate and that of the Democratic Party. As a rule such struggles usually end in favour of a Party, but in America the vote hinges rather on personal preference than allegiance to programmes and organizations, the latest election being a case in point. These were not the only stakes however. It is difficult to assess the actual impact of other factors on the triumph of the US President, but there can be no doubt that the slogan of "Peace and Prosperity" was not without influence. It is a fact that the country experienced no serious economic difficulties during the past four years. On the contrary, Eisenhowers first term of office was marked by a high level of economic activity and employment of which every American is aware. The symptoms of serious dislocations in the economic sphere which appeared in the spring and autumn of 1954 soon disappeared and have evidently fallen into oblivion. It is also worth mentioning that the termination of the war in Korea was also one of the successes of the Eisenhower administration and that there was no recurrence of similar situations in which America have been involved. Hence the confidence that Eisenhower will continue to lead the country towards peace and prosperity, which was doubtless an important factor and a serious handicap for Stevenson and Kefauver the Democratic candidates.



It is still a question to what extent the sudden international crisis in connection with Egypt and Hungary influenced the outcome of the presidential elections. It seemed at first and a considerable number of observers of the US political scene were inclined to agree with the view, that the world crisis will have an adverse effect on Eisenhower's election prospects, all the more so as Eisenhower's foreign policy was subjected to heavy fire by the democratic electoral propaganda denouncing it in the strongest terms as inconsistent and inept, and asserting that it is actually to blame for the unfavourable course of world events. It is true that the manner in which this campaign was conducted especially certain pronouncements by the Democratic Candidate were unworthy of an aspirant to the highest office in the USA. However it was not impossible that such actions could yield results, in view of the orientation of some important groups of US public opinion especially in several of the key states. In this respect the Democratic candidate counted on the votes and influence of the American Jews in view of the negative attitude taken by the Eisenhower administration with regard to the Israeli aggression against Egypt. On the eve of November 6 it was considered that, taken as a whole, the foreign political events wrought equal harm and benefit to both parties. However it ensued that the US Government attitude condemning resort to force in the solution of international disputes and its activities in the United Nations in this respect strengthened confidence in the man who governed the state policy. Furthermore, the crisis suddenly brought about in international relations, apparently influenced the mood of the US electorate which confirmed the old adage that "one does not change the helmsman during a storm".

As for the Eisenhower programme, it is already a well known fact that it does not include the traditional republican conceptions of isolationism in the domain of foreign, and free capitalism in the sphere of home policy. Eisenhower's much publicised programme of a "middle course" actually comprises all points with which the greater part of the ruling class agrees and which enjoys the support of the broader strata. This programme is not opposed to the achievements of the New Deal; a cautious development within that framework best corresponds to the aspirations of a country experiencing a period of economic prosperity which it wishes to preserve. It should be added in this context that with the exception of the Republican right and similar elements on the Democrat side, kindred views prevail as regards the basic outlines of foreign policy. Consequently, although it may seem paradoxical at first sight, there is an inherent deeper logic in the election of a Republican candidate and a Democratic Congress. Just as the previsions that the state primaries in 1954 which brought a democratic majority to a Congress headed by a Republican president would result in a "cold war" between Congress and President hence largely paralysing legislative activities (as was the case during the 1946—1948 period when President Truman was confronted by a Republican Congress) were not fulfilled, it is likely that the Democrat Congress will essentially indorse the policy of President Eisenhower during the coming period. In point of fact during the past two years President Eisenhower experienced no difficulties with the Democratic Party in Congress but only with the majority of members belonging to his own Republican Party. If anything were to be changed in this field, this will primarily be the relations between the Republican legislators and the Republican

President. This is also indicated by the immense prestige and authority of President Eisenhower and the electoral defeat of some of the most prominent representatives of the Republican right wing.

A lively discussion preceded the elections as to the extent the Republican election team would suffer from the participation of the Vice-Presidential candidate Richard Nixon after his nomination by the Republican right wing at the GOP Convention in Chicago in 1954. Nixon gained considerable notoriety during the past few years for certain extreme attitudes and actions which impaired his prestige. It should be added, however, that during past year when it seemed after Eisenhower's serious heart attack that he might assume the highest office in the country in case of Eisenhower's inability to serve his entire term of presidency, Nixon endeavoured to change his attitude and let bygones be bygones and the past forgotten. He was not entirely successful in this respect, however, one of the most popular Democrat election slogans having been: "Vote for Ike and you'll Get Dick" which implied that Nixon will become President if Eisenhower is elected. This was effective no doubt, but far from seriously jeopardizing the election victory of the Republican team. The electorate was inter alia, favourably impressed by the fact that on the eve of the elections, the medical experts had found Eisenhower in physically good condition and hence able to discharge his functions for an indefinite period of time; hence the "Fear of Nixon" had much less effect than was originally supposed.

It is of course still premature for any prognostications as regards the foreign political orientation of the US Government under the international conditions brought about by the present crisis. However the general course pursued so far as well as some attitudes, especially in connection with the aggression in the Middle East, warrant the hope that the US policy will be a policy of peace and international cooperation. One should also hope that the new prestige and authority of the US President won by the great election triumph will be used for the promotion of positive tendencies in international relations and that the policy of his Government will not, as some may hope in the West, favour bloc solidarity at the expense of the far broader interest of America and the world at large.



# THE GERMAN DILEMMA

J. ŽIVIĆ

THE recent developments and upheavals on the international arena logically provoked specific reactions in Western Germany, all the more so as the general climate in East-West relations and every eventual change in the balance of power has direct repercussions on the prospects for the solution of the German problem. This reaction and particularly the attitude of the responsible political factors and public opinion in the federal republic can best be gauged in the light of the recent foreign political debate in the Bundestag. It should be noted that the latest world events came at a time when the different and divergent conceptions concerning the foreign policy to be followed by the Federal Republic and her role in the efforts to find a way out of the present stagnation and the lack of any immediate prospects for German unification gained increasing prominence. There can be no doubt that a certain polarization of German public opinion and political attitudes and regrouping of political forces is currently under way. One side consists of the forces which support the government and which strive to preserve the old postulates of Bonn foreign policy, i. e. the closest possible military alliance with the West, rearmament and reunification by means of fulfilling Western conceptions, with minor modifications also in the present period, and the other is the exponent of the various endeavours stemming mainly from the ranks of the Social Democrats and liberals which seek new ideas and methods in West German foreign policy.

Such a situation was also reflected during the parliamentary debate which followed the Government Declaration on the contemporary events. As for the general attitude of the Bonn Government it cannot be said that the Chancellor's speech contained anything new. The Anglo-French aggression against Egypt met extremely cautious and moderate criticism which was more or less limited to the expression of "regret because of the action of the Western powers". The German policy is doubtless vitally interested in preserving the unity of the Western powers which palpably influenced its attitude towards aggression in the Middle East. Otherwise the government spokesmen did not stint their criticism when referring to the situation in Hungary. It is interesting to note that Adenauer again advocated the thesis that in the present situation it is imperative to continue with the development of a strong army, and that cohesion and mutual coordination within the NATO and the Western Union should be promoted this being a hint to London and Paris, which apparently showed scant interest for the opinions of their partners in these institutions. It is evident that the official circles in Bonn hope that the present situation will favour a more rapid implementation of the integration plans which is a long standing wish of the Government, and that it will lead to a more active attitude of the French and British Government in this

respect. This was largely the purpose of Adenauer's visit to Guy Mollet, which is expected to contribute to a more rapid progress in the creation of a common market.

As for the problems of unification the Government retained its well known attitude of which it officially notified Moscow and received a negative reply, although the Chancellor declared that the exchange of views with the Soviet Government should continue. This is an indisputable progress compared to the previous state of affairs when the Federal Government refused to negotiate directly with the Soviet Union.

However the resolute emphasis of the opposition members on the need to seek new solutions for the crucial issues of particular interest to Germany and the specific proposals put forward in this sense doubtless provide the most interesting aspect of the debate. The Social Democrats and Liberals were the chief exponents of this tendency. They condemned aggression in the Middle East in much stronger terms and expressed their support of the collective action undertaken by the United Nations. Contrary to the Government attitude, which while emphasizing the significance of regional military blocs expressed its doubt as to the capacity of the United Nations to resolve the fundamental problems of world peace and security, the Social Democrat leader, Melies, advocated the thesis that United Nations authority should be strengthened and that collective security should be primarily linked with this organization. Such an attitude is in accordance with the conception of the Social Democratic Party whose resolute programme emerges with ever greater clarity of late and according to which German union is impossible on the basis of bloc policy and the adherence of the Federal Republic to the NATO and the Western Union, as it is illusory to believe that the Soviet Union would concede to such a state of affairs. Therefore the Social Democrat thesis that unification should be carried out through an agreement which would establish the system of European security and enable the withdrawal of both parts of Germany from regional military blocs, is gaining ever greater popularity. Dehler's Democrats endorse a similar idea, but also criticize the one sided orientation and bloc obligations of the Federal Republic as an obstacle to the achievement of unity. Moreover, the demands for the establishment of diplomatic and economic relations and contacts with the countries of Eastern Europe, primarily Poland and Czechoslovakia are becoming increasingly frequent in Western Germany. It is also characteristic that the Chancellor, although still opposed to the establishment of diplomatic relations, allowed for the possibility of relations with the neighbouring Eastern countries irrespective of the differences in the internal political systems provided their governments are independent. Apart from this, the delicate problem of the German Eastern borders, i. e. the Oder-Neisse frontier line, has been broached in the West German

discussions. Although the thesis on the non-recognition and unjustice of such frontiers is being defended, the realization is gradually gaining ground that a realist compromise will have to be sought on this question as well as in the interest of peaceful unification and good relations with neighbouring Poland.

The attitude on East Germany remained unchanged which means that all official contacts with the East German Government are being rejected. It is here that the dissension with the East is the most conspicuous, the Soviet Government having stated explicitly in its reply to the Bonn memorandum on the problem of unity that unification is not possible without negotiations and agreement between the two Governments, hence without the practical recognition on the existence of two German states. In spite of their refusal to establish direct relations with the Pankow Government, on which point both the Government and Opposition agree, some tendencies may already be perceived in the quest of a suitable platform for informal political contacts with the individual East German political parties. The Social Democrats consider that in spite of their negative view of the East German political regime, some progressive innovations carried out in the economic and social relations of Eastern Germany cannot be underestimated. This primarily applies to land reform, nationalization of industry as well as the universal right to schooling and education. These achievements have been accepted by the Social Democrats in principle. In this connection the proposal advanced by the Social Democrat Momer at the latest session of the Council of Europe in Strasbourg is particularly interesting. This plan is based on the idea of economic compensations Germany would provide to secure its unification, along similar lines as the Saar agreement,

where the German government guaranteed certain economic benefits to France in exchange for the incorporation of the Saar (regular coal deliveries and construction of the Moselle Canal). In Momer's opinion, an analogous offer should be made to the Soviet Union guaranteeing all economic benefits derived at present in Eastern Germany, i. e. regular deliveries of machinery and uranium corresponding to level of present exports from Eastern Germany. The present embargo clauses valid for NATO countries in trade with the Eastern countries should likewise be revoked or modified. Momer considers that the Consultation of the future United Germany should contain such provisions which would authorize the constituent regions of the East German republic to enact such economic and social legislation which would correspond to the wishes of the majority of their inhabitants, thus leaving it to the free choice of the population of that part of Germany whether to retain or dispense with the results yielded by social economic development so far. Momer himself considers that it could be not possible to denationalize the big enterprises in Eastern Germany by contrast to the smaller enterprises where this would be perhaps practicable.

Consequently, a gradual regrouping of forces is obvious on the West German political scene, a rallying round platforms and concepts which reflect the German views on the solution of those crucial problems which do not concern German interests only. All the political forces of the Federal Republic desire the latter to participate in the deliberation of these problems, although the view on her role are often divergent. Perhaps only the parliamentary elections next year will be able to answer the question which of the tendencies enjoy the support of the majority of the electorate.



# *Economic problems*

## INTRA-EUROPEAN TRADE

Stane PAVLIČ

AMBASSADOR IN THE SECRETARIAT FOR FOREIGN AFFAIRS

THIRTY countries took part in the fifth session of the Committee on the Development of Trade of the Economic Commission for Europe held in Geneva in the second half of October. This session is all the more significant as it took place under changed international conditions, which enabled a more concrete and positive approach to the solution of the problem of intra-European trade. A further increase of commodity exchange between Western and Eastern Europe has been noted in the course of last year and the first half of 1956. Exports from Eastern to Western Europe were 17% higher in 1955 than in 1954, while imports were increased by 14%. Trade increased by another 10% this year. However in spite of the upward tendency of trade during 1955 and 1956 the share of Eastern Europe in the aggregate volume of West European trade amounts to only 3.2% while Western Europe accounts for about 16% of East European commerce.

These figures testify to the vast possibilities which exist for the further expansion of trade between Eastern and Western Europe, particularly if it is recalled that West European trade with the countries of Eastern Europe accounted for almost 8% in the pre-war period (1937) hence exceeding the present volume almost threefold.

Nonetheless, commerce with Eastern Europe plays an important part in the foreign trade of individual countries. Thus for instance the countries of Eastern Europe account for 24.2% of Finnish exports and 26.5% of imports, 21.9% of Turkish exports and 18.5% of imports, 9.9% of Austrian exports and 9.4% imports. Norway, Sweden, Denmark, Switzerland, and Greece are also doing a considerable amount of business with these countries. As for Yugoslavia, it is already known that Eastern Europe had a share of 13.5% aggregate exports and 7.3% of imports. According to rough estimates the volume of commodity exchange will be almost doubled by comparison with last year.

The share of West Europe in East European trade is also significant. Thus for instance 23% of Hungarian foreign trade was with Western Europe in 1955, 25% Polish, 19% Rumanian, 15% Czechoslovak, 15% Soviet, 10% East German and 10% Bulgarian. It should be stressed in this connection that the upward tendency of commodity exchange continued this year.

As for structure of exports from Western to Eastern Europe the share of industrial products increased last year, thus accounting by value for 30.9% or 426 million dollars, raw materials and semi finished goods account for 30.7% or 350 million dollars, food and tobacco 22.8%, or 249 million dollars, while other products accounted

for 7.6% or 83 million dollars. The structure of East-West trade last year shows that raw materials and fuels accounted for 54.6% or 793 million dollars, finished industrial products 20% or 271 million dollars, food 18.9% or 254 million dollars while other goods account for 6.5% or 88 million dollars.

Although this survey of the structure of trade indicates that certain changes have taken place, West Europe still exports substantially larger deliveries of industrial products than its Eastern partners. Attention should be called to the gradual but nonetheless sustained tendency towards a different trade structure characterised by the increasing share of industrial products in Eastern deliveries to the West. This change in the structure of commodity exchange in favour of the East European countries was stressed in the inaugural speech delivered by the Executive Secretary of the Economic Commission for Europe Mr Gu Myrdal.

It is not the aim of this article to deal with all points on the agenda of this years session, or to embark on a detailed analysis of the conclusions reached, and the statements made by the delegates of the individual countries. Among the most important problems discussed at this session and which are of particular interest for Yugoslavia, one should primarily mention the following:

### 1) Development of East-West Trade

This problem invariably represented the principal subject of discussion of the Committee. Analyzing both the successes achieved as regards the increase of trade between Western and Eastern Europe, and the implementation of the necessary measures and instruments aiming at the promotion of this trade it may be said, that while the activities of this committee were considerably hampered during the previous years owing to the cold war, the way was opened this year for a more constructive approach to the discussion on East-West trade. The expectations that the delegations attending this years session will profit to a greater extent by the newly created international situation and adopt a more concrete approach to the discussions on the fundamental problems and obstacles which impede a substantial increase of commodity exchange, were not fulfilled however. Most delegations strove to avoid a discussion on such basic issues as agrarian protectionism, embargoes, and all artificial means which hamper free exchange between the two parts of Europe, and impede the free play of economic laws.

The Yugoslav delegation did not follow suit having refrained from discussing the practical problems encountered in her foreign trade relations with individual countries, but proposed the discussion of essential problems,

i. e. those which impede the successful development of commodity exchange and even economic cooperation between the two parts of Europe. The Yugoslav delegation agreed with the general view that great progress has been made in the development of trade, thanks primarily to the favourable international climate, as well as the efforts of the Economic Commission for Europe and its affiliated bodies. However it would be a mistake to believe that everything possible has been accomplished during the recent period under the relatively favourable conditions in the international sphere. Yugoslavia consistently advocated the elimination of all barriers, particularly all obstacles of a political nature which impede the economic integration of Europe. The only exception could be made for those economic measures which ensue from the vital interests of accelerating the economic development of the insufficiently developed countries. Particular attention was devoted to the statement of the Yugoslav delegation which notified the session of an appreciable increase of this year's exports which rose thanks to the efforts of the Yugoslav industry by almost 35% (calculated at current prices) in the first half of 1956 by comparison with the same period last year.

The smaller share of Western Europe in Yugoslav exports is largely due to the measures of agrarian protectionism applied by many West European countries, and their refusal to extend the liberal treatment accorded the OEEC countries to Yugoslavia as well as consequence of the disproportionately high tariffs to which certain Yugoslav exports are subjected in some West European countries.

The Yugoslav delegation unconditionally condemned the existing embargoes which still largely impede the free flow of trade between East and West Europe. Nor does the existence of various regional and economic organizations of a bloc character contribute to the forging of stronger economic links between the two European regions but only sunders them still further apart.

The Yugoslav delegation stressed that the discussion at the regular Committee session should cover not only the problems of East-West trade, but also all other questions on whose solution the further development of intra-European trade is contingent. It is an undeniable fact that after the relaxation of international tension, the treatment of international trade problems from exclusively East-West positions is steadily losing ground while the structural differences which prevail between the industrially developed and undeveloped European countries primarily those of Southern Europe are gaining increasing prominence and could therefore be aptly termed the problem of North-South, as distinct from that of East-West trade. Hence the proposal of the Hungarian delegation that in the future this point of the agenda no longer be referred to as the problem of East-West but as the question of intra-European trade thus covering all the complex problems involved by the latter was highly appropriate. Although this proposal was unanimously adopted the whole course of the session remained too much within the limits of the East-West discussion and hence restricted within bloc positions.

## 2) Problem of Long Term Trade Agreements.

The Yugoslav delegation pronounced itself in favour of long term trade agreements provided the latter contribute to greater stability in the development of commodity exchange between the individual countries, this being of particular significance for the underdeveloped countries, in so far as these agreements enable the further

economic advancement of the undeveloped countries. The Yugoslav delegation by concrete examples demonstrate the need for such long term financial and investment arrangements which would facilitate the industrialization of this country. Needless to say, due caution should be exercised in the conclusion of long term agreements relating to the sales and purchase of given products. Too large commitments ensuing from long term agreements would deprive the economy of the countries in question of the necessary flexibility and freedom of action with regard to the sales purchase of the respective commodities. Nonetheless the sale or purchase of certain products may be of such interest for some country that it considers the conclusion of long term agreements desirable. Therefore the Yugoslav delegation endorses the possibility of concluding such agreements. A similar attitude in the discussion on this problem was adopted by Czechoslovakia, France, and the Soviet Union. The delegation of Great Britain opposed this view, contending that all long-term bilateral agreements are contrary to the creation of a free market. Particular attention was called in the final report of this session to the fact that Yugoslavia expressed herself ready to conclude long term engagements for the purpose of developing her aluminium industry and hydro-electric power system, thus enabling this country, by means of exports of aluminium and hydro-electric energy to contribute to the solution of the existing and prospective aluminium and electric power deficit in Europe.

## 3) Introduction of Multilateral Payments

The problem of concluding special arrangements providing for multilateral payments between Eastern and Western Europe should perhaps be considered the most important point on the agenda, where it first appeared two years ago. This problem involves a special compensation mechanism which would enable the Central Banks of the countries concerned to cover foreign trade balances in bilateral accounts within the clearing by means of compensation through a Central International Agency. The country wishing to transfer its credit balances in this manner would register the latter at the Agency while stating at the same time in which currency it desired the transfer to be effected. The Agency would act as intermediary in the compensation between countries as soon as the respective Central Bank accedes to this mechanism. It should be stressed that this project does not foresee an automatic transfer of balances, but that the latter would only be effected according to the express wish of the countries concerned.

A draft Joint Declaration was worked out at the consultations held between April 23-28 this year, in which the Central Banks of the members of the Economic Commission for Europe are invited to subscribe and join in its implementation. A lively discussion took place on this problem at the session. Most countries pronounced themselves in favour of the prompt realization of multilateral compensation, i. e. the adoption of the proposal advanced by the Western delegations, stressing that this would only represent the initial step towards multilaterality which will lead to the gradual achievement of broader multilaterality of payments between the East and West European countries. The British delegation backed by the representatives of West Germany, Belgium, and Holland requested that the implementation of the Joint Declaration be postponed while affirming that its adoption would only hamper the gradual realization of multilateral payments system. The British delegation

suggested that the EPU member countries examine their payments relations with the countries of Eastern Europe and dispense with the present type of bilateral payments agreements concluded with the latter as the existing owing credits. The British delegation proposed that the owing credit arrangements be substituted by a mechanism which would enable balances in their currencies held by the East European countries to be made transferable to other West European countries.

Needless to say Great Britain also stressed the need for a parallel liberalization of commodity traffic within similar framework as that established in Western Europe.

The Yugoslav delegation indorsed the implementation of such a multilateral payments system as provided for by the Joint Declaration without reserve. However many European countries, particularly those economically undeveloped are not in a position to fulfill the terms formulated by the British delegation and approach the full liberalizations of payments. Nineteen countries among them 5 engaged in East-West trade expressed their readiness to sign the Joint Declaration already at this meeting. It was decided at the session that the ways and means for its implementation be determined until January next at the very latest at a special meeting of countries which declared themselves in favour of the Joint Declaration. This declaration should be put into effect by April 1957 at the very latest. Its implementation will most probably represent the most efficacious measure adopted by the Economic Commission for Europe so far. The Committee recommended that the Bank for International settlements at Basle serve as agent of this multilateral payments system.

The Committee decided also that the proposal of the British delegation be submitted to all member countries of the Economic Commission for Europe inviting comments and criticisms.

#### 4—5) Southern Europe

Upon the proposal of Greece and Yugoslavia which was indorsed by Italy, the problem of difficulties encountered by the countries of Southern Europe in the promotion of trade with the other countries of Western and Eastern Europe was also included in the agenda. The Yu-

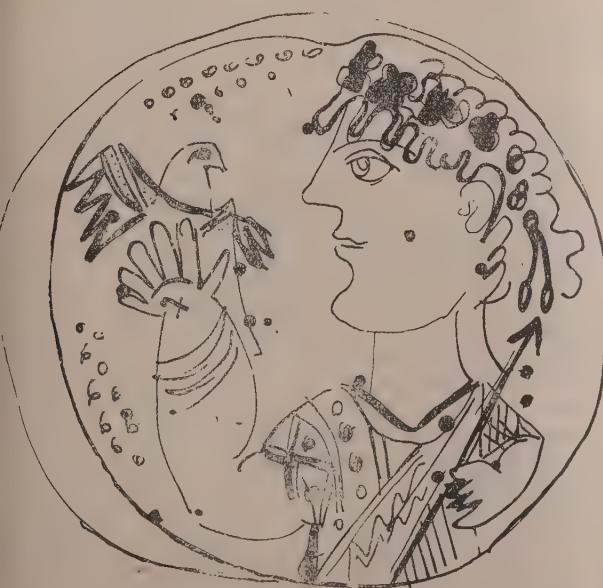
goslav delegation stressed that instead of meeting with understanding and even certain facilities in trade with the industrially developed countries which would assist a more rapid economic development of Southern Europe, the contrary was true, as the former countries insist on the application of various clauses such as effective reciprocity for instance thus directly impairing the interests of the industrially undeveloped countries and preventing the development of commodity exchange. The industrially developed countries, by invoking the clause of effective reciprocity demand full liberalization for the sale of their industrial products on the one hand, while applying various measures such as quantitative restrictions in imports of farm products with increasing frequency, thus preventing the sale of agricultural products from the industrially undeveloped countries. Countries such as France, Austria, Switzerland, West Germany, etc. are introducing various administrative measures designed to prevent the sale of Yugoslav farm products, such as quotas of import licences, the partitioning of the latter into very small quotas, or the setting of very short terms within which it is impossible to execute the delivery of farm and livestock products, the enforcement of various veterinary and sanitary measures, (Storfrist-deadline for the import of some farm products) and Kochzwang (compulsory coking); etc.

These obstacles and difficulties resulted in an appreciable reduction of Yugoslav farm exports to those countries. Other reasons underlying this decline include the orientation of Yugoslav exports to the East European countries, as well as the recent decline of farm production, etc. but essentially the decrease was primarily due to the above mentioned obstacles. Let us cite some illustrative data. The share of animal and vegetable products in over all Yugoslav exports to Austria totaled 60.5% in 1954, while dropping to 27.2% in 1955 and a mere 13.1% in the first half of 1956. Exports to Switzerland follow a similar pattern, the share of farm products having amounted to 31.6% in 1954, 19.5% in 1955 and only 6.4% in the first half od 1956. Finally, farm products accounted for 10.8% of Yugoslav exports to France in 1955, while falling to a mere 5.8% in the first half of 1956.

Such a downward trend of exports in the sector of farm products inevitably resulted in an over-all reduction of Yugoslav exports to these countries. The continuance of this tendency would at the same time imply a parallel reduction of the basis for the expansion of economic cooperation with Western Europe. The Yugoslav delegation stressed that greater attention should be devoted to the problems which arise in trade between the industrialized and economically underdeveloped countries with the aim of accelerating the economic advancement of the latter, this being also in the interest of the industrially developed countries and the expansion of their markets.

The Committee which showed a considerable degree of reserve and lack of understanding for such an approach to the problems of intra-European trade, finally decided to recommend to the governments of the member countries of the Economic Commission for Europe to bear these considerations in mind in their bilateral contacts thus enabling all difficulties encountered by the underdeveloped countries of Southern Europe in the field of trade to be eliminated.

The Committee invited the governments of the member countries of the Economic Commission for



Europe to inform the forthcoming session of the measures undertaken in this sense. At any rate the decision that this problem, commonly referred to as that of Southern Europe and essentially that of the undeveloped countries, remain on the working agenda of this Committee should be welcomed.

#### 6) International Fairs

The Committee also discussed the draft recommendations prepared by a work group as regards the extension of various facilities on the part of the member countries of the Economic Commission for Europe with regard to the organization of international fairs and special exhibitions. This draft recommends and provides for special privileges in all sectors of transport with a view to facilitating the organization of international fairs and exhibitions. The session failed to reach an unanimous decision concerning the regulation of sales quotas at fairs and international coordination in the organization of these events.

#### 7) International Arbitration

The documentary materials and analysis submitted by a special work group in connection with the elimination of difficulties which appear in international arbitration were also discussed at the session.

#### 8) Standardization of General Sales Conditions

The standardization of General Sales conditions for cereals, citrus fruit, coal, equipment, steel, and timber was also a subject of discussion.

#### 9) Consultations

Consultations are held regularly during the annual committee session. Within the framework of the latter

the delegations of the individual countries exchange views on all the more important problems relating to the development of trade. Twenty seven countries took part in this year's consultations. As distinct from the previous consultations which were characterised exclusively by an exchange of views between the East European countries on the one hand and the West European countries on the other, always within a bilateral framework, this year's consultations represented an innovation as the Eastern and Western delegates profited by this opportunity to exchange opinions on current problems.

There can be no doubt of advantages afforded by these consultations which also greatly reduce the need to send delegations to talk things over in as far as any specific and intricate problems are not involved.

The Yugoslav delegation discussed concrete problems relating to trade and payments arrangements and general economic relations with the delegations of West Germany, Italy, Great Britain, France, Sweden, Czechoslovakia, and Israel.

The consultations are all the more significant for countries which do not maintain regular diplomatic relations or have severed trade contracts.

Notwithstanding the foregoing shortcomings which are primarily attributable to an approach of European trade problems from bloc positions and the avoidance of a discussion on matters of principle, this year's session can nevertheless be considered a positive contribution to the advancement of intra-European trade.

## BALANCE SHEET OF EISENHOWER'S ECONOMIC POLICY

Radoš STAMENKOVIĆ

WHEN the Republicans after more than twenty years, won the Presidential elections in the autumn of 1952, a considerable part of the American and world public showed a certain anxiety. The dramatic events of 1929/33 and particularly Hoover's methods of dealing with the crisis which not only proved ineffectual but also contributed to the aggravation of the situation — were recalled on this occasion. In the later economic literature the then economic policy of the Republicans was frequently cited as a classical example of the obsolescence of the so-called orthodox methods of managing economy. In contrast to this, Roosevelt's pioneer attempts, which gradually crystallized into a developed and theoretically worked-out system of State intervention, are remembered by many people as linked with the revival and gradual restoration of economic life. At the conclusion of the war, when interventionism had already embraced a wide circle of countries, it appeared that the policy based on Roosevelt's traditions was the only pos-

sible course and that every step backwards, toward the revival of the former liberalistic concepts would be directly dangerous.

Hence, when the Republicans won and came out with a programme which contained a large number of orthodox slogans, many people anxiously asked whether this did not mean a sharp turning-point in American policy. The watchwords about balanced finances and ending of parity prices in agriculture, about an anti-inflationist monetary policy, as well as the famous point „Trade not Aid“ — seemed to confirm such deliberations. It was to be expected that the new Administration would take steps for dismantling a series of economic levers and abolishing institutions which had been gradually built up by the Democrats during the previous two decades.

However, drawing up a rough balance sheet of the past period, one must come to the conclusion that these apprehensions failed to materialize. Or rather, if the

erilized, that was only to a very small extent. Basically, the continuity in the economic policy of the USA for the most part preserved.

The Republicans, for example, clearly expressed their intention of doing away with the system of parity prices in agriculture, considering that it was incompatible with a liberalistic economy which should be based on the free play of market forces. Moreover, this attitude was devoid of certain arguments which, from the viewpoint of the same American economy, possessed a weight of their own. The linear support of agricultural prices, obviously, is not the right way to remove disproportions, on the contrary, acts in the direction of perpetuating an unsound relation between the agricultural and non-agricultural sections of the population. However, the appearance of agricultural surpluses in 1953 and 1954 forced the Government, for want of a better solution, to retain the system which the Democrats introduced as far back as twenty years ago. It was only true that certain small changes were made in this sector. The parity prices were slightly reduced and it was also decided to pay certain premiums to those producers who consented to pass from hypertrophied cultures on to other agricultural branches. Along with this, efforts were intensified for placing the existing surpluses at reduced prices abroad or giving them on favourable credit conditions. But, the system of parity prices is functioning and it is unlikely that it will be possible to abolish it in the foreseeable future.

Matters appear somewhat more complex when one turns to those problems which are usually embraced in the term of the full employment policy. The parity price system also falls under this complex, but the specific problem of agriculture permits its being set apart to a certain extent. Beyond this, there remain several closely linked questions, such as the question of the monetary policy, balanced or deficitary budget, public works, the wage policy, etc.

The examination of each component would take us too far. But their interconnections and mutual dependence permits some global considerations, especially transferred to the field of inflationist or deflationist policy. Differences between the Democratic and Republican conceptions appear here most conspicuous and have a somewhat principled character.

In the whole twenty-year period, the line of the Democratic Governments was based on such elements according to the Republican theoreticians and politicians, constituted the sources of inflation. The policy of the low interest rate, combined with the open market deficitary financing operations introduced, in the opinion of the Republicans, certain elements of instability in the American economy and undermined one of the supports of the private-capitalist system — the stable price level and stable currency. It seemed, therefore, that the Administration, as the Republican Party already stated in its programme, would inaugurate a policy of „dearer money“, that is, resort to deflationary measures.

If one examines the line followed by the Government in the early months of 1953, one finds that such attempts were actually made. The increase of the rate of interest and raising of the level of obligatory deposits in banks indicated a mild, but yet a deflationist trend. However, as soon as anxiety on the market and demands of the business circles for more liberal credit conditions began to find expression in May of the same year, the



Government changed its initial course and adopted a more elastic policy. True, it may be said that the so-called flexible monetary policy has today a greater significance than it had during the Democratic Administration. But this may be said also for the majority of European countries, and even for the Scandinavian states which are known as protagonists of the „cheap money“ policy. But what is essential here is that the USA Government has not adopted a dogmatic attitude on this question, but was capable of a sufficiently elastic adaptation to the calls of reality.

The relaxing of industrial activity between the autumn of 1953 and spring of 1954 caused much worry not only in USA but also in the rest of the world. Rumours about the impending crisis again became rampant and, at one moment, the short-term perspectives of economic development in America seemed quite uncertain. The official quarters, however, retained their composure relying above all on the system of „automatic stabilizers“ built up by the Democrats and left intact by the new Administration. This is in the first place the American income tax system which operates in such a way that the tax burdens, without any special changes in tax rates, are adapted to fluctuating movements of the economy. Should there be a relaxing of the economic activity, then there automatically follows a cut in personal and business taxes, and vice versa. The system again proved efficacious so that the reduction of personal income and profits was to a great extent compensated by the reduction of the income tax burdens. Besides this, the Government somewhat reduced the income tax rates and extended various facilities in the sphere of mortgage and consumer credits. Briefly, this was again interventionism, although the Government did not resort to increasing state expenditures, — a course kept in readiness as a reserve in case events took an unfavourable turn.

The third group of problems, also not without connection with the previous, are economic relations with foreign countries. Here again the Republican Administration came out with definite concepts summed up in the election watchword „Trade not Aid“. The idea was that the system of aid, which in the post-war period became a permanent component in American relations with the outside world, should be made unnecessary through the development of foreign trade, or rather by way of developing American imports. The realization of this idea called for important changes in the US

import policy and above all for a radical reduction of tariff rates. On the other hand, the question of aid is not only a matter of a purely economic nature, which might be dealt with regardless of the world public opinion and of other countries policy.

On the internal plane, the Republican idea met with serious difficulties. The relatively modest recommendations of the Randall report, on the reduction of tariffs, met with a divided reception among the American industrialists. It would be difficult to speak here about any differences conditioned by party adherence. Opinions differed according to whether certain branches or firms found themselves threatened by the abandonment of traditional protectionism and if so, to what extent. One could also mention, perhaps, the differences in views between those business groups which are primarily interested in placing goods on the foreign market and those whose attention is turned to the home market. For while the first mentioned see their interest in the liberalization of the American market, the second group wishes to preserve the home market for itself. But, be this as it may, the liberalization of the American imports proved a difficult undertaking. And as the expected results were not achieved, it would be quite unpopular, in relation to the rest of the world, simply to abandon the practice of economic assistance.

The tendency in the direction of reducing aid was obvious, but this post-war category of the American foreign-economic policy was not abolished. And then, some time in the autumn of last year the Soviet Union appeared with a new orientation in its economic attitude towards the underdeveloped countries. The USA naturally could not remain passive. And, as a direct reaction to this change in the USSR policy, the American President came out with his concept of constructive competition between states, in which the element of aid is strongly emphasised.

Of course, when we say that the Republican Government has in the main retained the continuity of the USA economic policy, we must not lose sight of the

relation of political forces in the House of Representatives and in the Senate. The American situation was little unusual in this connection as the Republican Government, already since November 1954, was compelled to cooperate with the Democratic majority. On the other hand, it would be difficult to determine exactly the degree of unity within the two American parties when economic questions are involved. The border line is no longer so clearly defined. The drawing of sharp differences between the two concepts is possible only conditionally, on the lines of concepts of those groups which can be taken as to a certain extent representative. But they need not represent the view of the majority in the one or the other party. A special question, which has often been discussed, concerns the concepts of President Eisenhower himself whose personal influence in the past period was undoubtedly great. Today it seems quite indisputable that Eisenhower's concepts cannot be measured by typical Republican standards. Moreover, one often hears the view that the President of the Republican Administration is putting into effect the economic policy of the Democrats.

All these questions, as well as the fact itself that the Democrats are getting a majority in Congress, would call for deep analyses of the American social and political life. However, viewing things globally, a general conclusion can nonetheless be drawn. Today it is no longer possible to pursue an economic policy which would be based on pre-Rooseveltian principles. Of course, this does not mean that the forms of state intervention which crystallized during the last few decades, could be looked upon as lasting and unchangeable. Evolution is not only possible but also necessary. One can imagine new, more elastic instruments and levers instead of the various rigid forms of interventionism. But the principles of managing economy have essentially changed and no return to the old methods is possible. Any attempt to put back the clock of history would inevitably lead to quick and unpleasant clashes with reality, and the Government can indulge in this today, no matter what its intimate economic and political orientation.



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